AUDIENCES COME TO PREMIUM VIDEO

Q1 2019
Video Marketplace Report

Video is evolving. We are evolving, too. The VMR changed to the Video Marketplace Report for Q4 2018, reflecting our heightened focus on consumer and buy-side trends to complement our comprehensive monetization data. As we move into 2019, our data now tracks the growth of audience targeted campaigns that deliver ads to specific devices, households, or users.

In addition, to align with industry definitions, we have replaced the term OTT devices with connected TV. The IAB describes connected TV as, “A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.”

Moving into 2019, we’ve refreshed our data to include additional distributor platforms, therefore data points may not be directly comparable to the 2018 series.
Q1 2019

CORE OBSERVATIONS: U.S.

Comprehensive Premium Video Data
AUDIENCES COME TO PREMIUM VIDEO

PREMIUM VIDEO CONSUMPTION CONTINUES TO INCREASE IN 2019, BUT THE INDUSTRY IS MOST EXCITED ABOUT THE GROWTH OF DATA-ENABLED AND ADDRESSABLE ADVERTISING. These types of campaigns allow advertisers to reach the audiences they desire, and allow publishers to more efficiently use their inventory. In Q1 2019, total premium video ad views grew 20%, while audience targeted campaigns that deliver ads to specific devices, households, or users grew almost 2.5 times faster. These campaigns are still relatively nascent: a sample of FreeWheel data shows that content targeted campaigns outnumber audience targeted campaigns 15:1. But, industry sentiment augurs well for continued growth in audience targeted premium video advertising. In a joint FreeWheel–Advertiser Perceptions survey, buy-side respondents expect 60% of all Advanced TV buys to be audience targeted by the end of 2020, citing increased return on marketing spend as the key benefit.

As targeting capabilities mature, it will become possible to reach specific households within desired audience segments with a precise ad frequency exposure. This solves for some of the limitations of traditional TV, which offers broad reach but an exponentially increasing cost for each new unique viewer. Precise audience targeting will also allow TV to drive value down the marketing funnel, from consideration to intent to purchase. Advertisers of large-dollar-value or ‘sticky’ products and services with higher customer-lifetime value such as the auto and financial services industries should be especially interested in these capabilities.

Buy-side respondents expect 60% of all Advanced TV buys to be audience targeted by the end of 2020¹.

¹. © 2019 FreeWheel / Advertiser Perceptions Thought Leadership Report
Connected TV (CTV) is cementing its place as the platform of scale in premium video. In Q1 it constituted 45% of all ad views and grew 44% year-over-year, the fastest of any device. Mobile is the second largest device, accounting for 24% of all ad views. Of these ad views, over 90% were delivered on apps, as opposed to web browsers. The in-app viewing environment is optimized for the mobile screen and encourages authentication, which helps combat fraud and facilitates data-matching using log-in information. However, the cookieless nature of app based viewing requires newer forms of viewability verification and programmatic enablement that are not yet standardized. Only 3% of mobile web ad views were on live content, versus more than 40% on mobile app. This illustrates the enhanced viewing capabilities of the in-app environment.

Over the past five years, set-top-box video on-demand (STB VOD) inventory grew rapidly as MVPDs enabled new dynamic ad insertion capabilities. However, for the second consecutive quarter, STB VOD inventory declined slightly, as consumers viewed video content in other ways.

Audience-based advertising is growing rapidly and represents the next frontier for premium video. As data management and matching capabilities mature, premium video is becoming a full-funnel marketing solution, able to effectively compete with the wider digital advertising ecosystem. In addition to improving targeting capabilities, premium video is solidifying its high production quality and brand safety credentials, with over 85% of ad delivery now occurring on CTV apps, mobile apps and set-top-box environments. But industry players will need to innovate beyond browser-based methods of identifying, segmenting and targeting viewers to fully capture the value of these enhanced delivery environments.

---

**Chart 2**

**AD VIEW COMPOSITION AND GROWTH, BY DEVICE, U.S.**

Q1 2019

<table>
<thead>
<tr>
<th>Device</th>
<th>Share</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTV</td>
<td>45%</td>
<td>+44%</td>
</tr>
<tr>
<td>Mobile</td>
<td>24%</td>
<td>+18%</td>
</tr>
<tr>
<td>STB VOD</td>
<td>20%</td>
<td>-10%</td>
</tr>
<tr>
<td>Desktop</td>
<td>11%</td>
<td>-16%</td>
</tr>
</tbody>
</table>

Over 85% of ad delivery now occurs on CTV apps, mobile apps and set-top-box environments.
### Chart 3: Format Composition by Device, Ad Views, U.S.

**Q1 2019**

- **Connected TV**
  - CLIPS (0-5min.): 2%
  - FULL-EPISODES (5+min.): 59%
  - LIVE: 39%

- **Mobile App**
  - CLIPS (0-5min.): 9%
  - FULL-EPISODES (5+min.): 50%
  - LIVE: 41%

- **Mobile Web**
  - CLIPS (0-5min.): 54%
  - FULL-EPISODES (5+min.): 43%
  - LIVE: 3%

- **STB VOD**
  - FULL-EPISODES (5+min.): 100%

- **Desktop**
  - CLIPS (0-5min.): 36%
  - FULL-EPISODES (5+min.): 27%
  - LIVE: 37%

### Chart 4: Content Composition by Format, U.S.

**Q1 2018 vs. Q1 2019**

**Content Format Composition**

- **CLIPS (0-5MIN.)**
  - Q1 2018: 9%
  - Q1 2019: 7%
  - **-9% YOY**

- **FULL-EPISODES (5+MIN.)**
  - Q1 2018: 61%
  - Q1 2019: 57%
  - **+11% YOY**

- **LIVE**
  - Q1 2018: 30%
  - Q1 2019: 36%
  - **+45% YOY**
CHART 5
SHARE AND GROWTH OF AD VIEWS
BY DISTRIBUTION PLATFORM, U.S.
Q1 2019

Total Volume of Ad Views, U.S.

- **45%**
  - Publisher Platforms
  - +6% YOY

- **55%**
  - Distributor Platforms
  - +30% YOY

Distributor Platform

- **64%**
  - Digital / IP
  - +53% YOY

- **36%**
  - STB
  - -10% YOY

CORE OBSERVATIONS: U.S | DISTRIBUTION
CHART 6
SHARE AND GROWTH OF DIRECT AND INDIRECT DEALS, AD VIEWS, U.S.
Q1 2019

**Total Volume of Ad Views, U.S.**

- **80%** Direct
  - +5% YOY
- **20%** Indirect
  - +37% YOY

**Ad View Share by Programmatic Transaction Model**

- Programmatic Direct: **87%**
- Exchange: **13%**

*Based on a smaller sample set of data*
CHART 7
AVERAGE NUMBER OF ADS PER MID-ROLL BREAK, FULL EPISODES, U.S.

Q1 2018 vs. Q1 2019

Q1 2019 by Device

Distribution of Ads per Mid-Roll Break

CHART 8
AD COMPLETION RATES BY AD UNIT AND CONTENT DURATION, U.S.

Q1 2019
Q1 2019
CORE OBSERVATIONS: EUROPE

Premium Video Continues to Scale in Europe
The growth of premium video in Europe remains strong, with ad view growth up 13% year-over-year.

Publishers across Europe are using data to make premium video addressable for advertisers and agencies. Furthermore, publishers are increasingly optimizing inventory through the use of customer segments across video assets. As a result, audience targeted ad views grew four times above the market rate, +56% year-over-year. Contextually targeted campaigns still take the lion’s share, with three in four ad views targeted by content.

Content has always served as a great proxy for marketers to hit the right audience, however, improved audience data across all endpoints creates significant opportunity for publishers and marketers. The ultimate goal is to simplify video buying across screens to ensure that a message reaches the right audience, at the right time, at scale. Channel 4 announced this month that over 70% of revenue for All4, its VOD service, is derived from advertisers buying against first-party registered user data. Audience targeting is also adding another string to premium video’s bow, by enabling advertisers to reach segments that are becoming harder to reach on TV at an efficient cost per additional cover point.

Further driving the scale of premium video is the addition of more live inventory, with the share of live ad views now twice as large as that of Q1 2018. In terms of devices used to view live premium video, desktop leads with over 40% of live ad views.

2. https://mediatel.co.uk/newsline/2019/06/06/channel-4-to-launch-new-vod-ad-targeting-product/
Also of note this quarter are programmatic ad views, which are up 31% year-over-year, four times the rate of direct sales, as publishers strive to automate and drive efficiencies in the buying process. Premium video makes less use of programmatic channels than the wider digital video ecosystem, where 74.1% of digital video is traded programmatically. The programmatic trading of TV has a long road to maturation, with TV buying still heavily executed in private deals and manual processes.

The enabling of premium video inventory across STB VOD and CTV once again demonstrates the power of the big screen for both viewers and marketers. Big screen viewing accounted for the largest share of ad views, at 45%.

Marketers are also attracted to premium video inventory due to the trusted, uncluttered and carefully managed environment, which allows advertising campaigns to stand out and drive results. Publishers continue to balance ad loads and user engagement to ensure this continues. Therefore, there is an ongoing drive towards shorter ad breaks. Total ad break durations are around 95 seconds and four ads per midroll break, with 42% of all midroll breaks containing two ads or less. As such, completion rates remain high at 86%.

To conclude, premium video displayed strong ad view growth, particularly in audience targeted campaigns. Data-driven advertising is changing the way advertisers and publisher’s approach premium video, as a growing number adopt an audience first approach. With continued improvements and advancements to the tech stack across multiple endpoints the outlook for premium video looks very promising through the rest of the year and beyond.

CHART 13
FORMAT COMPOSITION BY DEVICE, AD VIEWS, EUROPE
Q1 2019

- Desktop
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE

- STB VOD
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE

- Connected TV
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE

- Smartphone
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE

- Tablet
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE

CHART 14
CONTENT FORMAT COMPOSITION
Q1 2018 vs. Q1 2019

Q1 2018
- CLIPS (0-5MIN.)
- FULL-EPISODES (5+ MIN.)
- LIVE

Q1 2019
- CLIPS (0-5MIN.)
- FULL-EPISODES (5+ MIN.)
- LIVE
CHART 15
LIVE AD VIEW COMPOSITION, BY DEVICE, EUROPE
Q1 2019

CONNECTED TV 11%
SMARTPHONE 21%
TABLET 23%
DESKTOP 45%
CHART 16
AD VIEW COMPOSITION AND GROWTH, BY DEVICE, EUROPE
Q1 2015 — Q1 2019

Q1 2015  Q1 2016  Q1 2017  Q1 2018  Q1 2019

- DESKTOP 25% +14% YOY
- STB VOD 17% +31% YOY
- CONNECTED TV 28% +6% YOY
- MOBILE 30% +11% YOY
CHART 17
SHARE AND GROWTH OF AD VIEWS
BY SYNDICATION PLATFORM, EUROPE
Q1 2019

Total Volume of Ad Views, Europe

- 85% Owned & Operated (+6% YOY)
- 15% Syndicated (+27% YOY)

Breakdown by Channel

<table>
<thead>
<tr>
<th>Channel</th>
<th>Q1 2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Aggregator/Portal</td>
<td>88%</td>
<td>91% (+31% YOY)</td>
</tr>
</tbody>
</table>
CHART 18
SHARE AND GROWTH OF AD VIEWS
BY PROGRAMMATIC MONETIZATION, EUROPE
Q1 2019

Total Volume of Ad Views, Europe

Programmatic
16%
+31% YOY

Direct
84%
+7% YOY

Share of Deal Type

Exchange Transaction
2%
Programmatic Direct
98%
CHART 19
AVERAGE NUMBER OF ADS PER MID-ROLL BREAK, FULL EPISODES, EUROPE

Q1 2019

Q1 2019 by Device

Distribution of Ads per Mid-Roll Break

95s BREAK DURATION

Q1 2019 AVERAGE

4.0

Q1 2019 AVERAGE

4.2

4.3

5.0

5.3

2.7

STB

SMARTPHONE

TABLET

CONNECTED TV

DESKTOP

1-2 ADS

20%

3-4 ADS

35%

5+ ADS

42%
HASAN IQBAL
Senior Manager in FreeWheel’s Advisory practice and helps clients generate insights through data-backed analyses. His areas of expertise include market benchmarking and analysis, revenue strategy, and scaling of organizational capabilities. Prior to FreeWheel, Hasan was a strategy consultant with PwC Strategy & where he advised media and technology companies.

REBECCA RANGELEY
Head of Business Insight for our International Business. Through interrogation of our datasets, Rebecca ensures that the insights we generate for the International Business generate return on investment for clients. Prior to FreeWheel, Rebecca managed the Digital Insight Team at Sky Media in the U.K., delivering insights to drive Sky U.K.’s advertising revenue for VOD, online and mobile applications.

HALEY GLAZER
Consultant in the Advisory Services team, working with media clients to deliver industry benchmarking, network optimization and reporting and analytics enhancements. Prior to FreeWheel, she worked in ad sales research and corporate analytics at Scripps Networks Interactive and iHeartMedia, and is currently pursuing her Master’s Degree in Data Science.

DAVID DWORIN
Leads FreeWheel’s Advisory Services team, where he helps clients navigate the ever evolving premium video ecosystem. Prior to joining FreeWheel, David spent a decade leading growth strategy initiatives at leading agencies, consultancies, and professional services firms.

Special thanks to: Xu Yao, Jasmine Noor, Anthony Ward and Arnaud Stebe
GLOSSARY

**Ad Completion Rate** Measures the percentage of ads that were completed once started.

**Ad View** An impression that is accrued after the first frame of an ad is displayed.

**Addressable TV** Use of technologies to enable individual advertisers to selectively segment TV audiences and serve different ads within a common program or navigation screen.

**Aggregator** A high-traffic content aggregator, for example AOL or MSN.

**AVOD** Advertising video on demand business model.

**Connected TV (CTV)** A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.

**Content vertical** Content genre, e.g. news, entertainment, sports.

**Deal ID** Unique deal identifier of a programmatic transaction that can be used to match advertisers and publishers directly.

**Direct-sold** Advertising deals made directly between a publisher and an advertiser.

**Dynamic Ad Insertion (DAI)** Process of dynamically inserting ads into a content stream, such that different ads can be inserted into the same ad break.

**FreeWheel Council for Premium Video (FWC)** Serves the interests of those in the premium video industry through leadership positions, research, and advocacy to promote the premium video economy.

**Impression** Occurs each time an ad is displayed. Synonymous with “ad view”.

**Inventory** An ad opportunity. A piece of inventory is filled by an ad impression.

**Linear** Traditional broadcast, cable, or satellite television.

**Long-tail** Small scale/niche content aggregators.

**Mid-roll** An ad break that occurs in the middle of content.

**Multichannel Video Programming Distributor (MVPD)** Provides pay TV services delivered either through broadcast satellite or cable TV. Examples include Comcast and Verizon.

**New Living Room** The same high-quality TV content that was traditionally consumed in the living room is experienced today by the same audience through a multitude of screens and locations.

**Operator** Provides pay TV services in the EU, functioning similarly to MVPDs in the U.S. Examples include Sky UK, Sky Germany and SFR.

**Over-the-top (OTT)** Viewing content delivered over an internet connection. Typically seen as OTT Device, which includes devices like Roku, Apple TV, connected TVs, etc.

**Pre-roll** An ad break that occurs before content starts.

**Premium Video** Video content that is professionally produced, rights managed, and limited in supply.

**Programmatic** The use of automation software or managed services to execute an advertising deal.

**Programmer** U.S. publishers that generate the majority of their advertising revenue from linear TV services and offer a diverse content mix in digital environments as well.

**Publisher** Producers or syndicators of content. This can be programmers or digital pure-plays.

**Server Side Ad Insertion (SSAI)** Technology that enables the stitching together of video and ad content prior to delivery to the player.

**Set-top Box Video On Demand (STB VOD)** Accompanies a cable/broadcast/satellite setup. Contains a cable input and outputs to a TV. Integrations via FourFronts STB VOD and Canoe Phase III.

**Simulcast** A digital stream of a live event that is simultaneously broadcast on linear TV.

**Syndication** Viewing that occurs outside of a publisher’s Owned and Operated properties or primary platforms.

**TV Everywhere (TVE)** Apps that allow viewers to access content over the internet by logging in with their MVPD subscription credentials.

**Video Start** Accrued after the first frame of video content is displayed. Formerly referred to as video view.

**Virtual MVPD (vMVPD)** Digital-only cable alternatives that offer access to both live and on demand premium video content for a subscription fee.
THE FREEWHEEL VIDEO MARKETPLACE REPORT highlights the ways in which advertisers, publishers and distributors are using premium video content to drive advertising outcomes.

The data set used for this report is one of the largest available on the usage of professional, rights-managed video content worldwide, and is based off of census-level advertising data collected through the FreeWheel platform.